

Credits and Collections

THIRTEENTH PAPER

PARAGRAPHS 699 to 910

BEFORE
WHEN
AFTER

GRANTING CREDIT.

WESTERN RETAIL LUMBERMEN'S
ASSOCIATION

Training Course.

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W.R.L.A. TRAINING COURSE

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CREDITS AND COLLECTIONS

WINNIPEG, CANADA

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CREDITS AND COLLECTIONS.

699. Credits constitute the most important subject in business, and this especially applies to the Retail Lumber Dealer. We have therefore divided this paper under three heads, namely:

- | | |
|-------------|---------------------|
| 1st. Before | } Granting Credits. |
| 2nd. When | |
| 3rd. After | |

This paper is compiled from articles contributed especially for this course by Mr. Sykes, Mr. D. Cooper, Mr. C. Hage, Mr. A. B. Estlin, also Mr. Prondzinski, and to these gentlemen we offer our very cordial thanks for the valuable information they have contributed.

CREDIT SYSTEM.

700. By credit, a comparatively small amount of money can be made to purchase, for the time being, many times its actual value, but it is absolutely necessary, to maintain a proper basis of credit, that actual money be instantly available when required. Consequently there is a limit to credit.

Credit is based directly upon the qualifications of the Purchaser, as to character, ability, property and resources.

701. Credit must be watched all the time. The man whom you consider from your records to be gilt edge today, may become worthless tomorrow, although, as a rule, the signs of a creditor becoming worthless are apparent some time before the actual change takes place between good and bad, and it is wise to remember that nine out of ten of your worthless accounts could have been paid sometime during their life, and that "some-time" is the moment you must be on the job to collect your money.

702. When establishing a credit rating there are two fundamental factors to be considered in every case, namely, honesty and business ability, and honesty should be put in the first place, as, without honesty the account would be questionable, no matter how much property the creditor may possess. However, an honest man without any business ability may never be able to pay his debts, especially if he is over-sold, and this type is very liable to be over-sold. Be very careful that you do not class a man in the dishonest list without being thoroughly satisfied as to your ground.

703. Too much emphasis cannot be placed on the necessity, to assure a successful business, of your being up on your toes on collections all the time. Collections are something which a large percentage of mankind do not like to touch, they would rather leave it to the other

fellow to make the collections, or trust to luck for the money to come in. Train your mind to look on collections as an interesting as well as fundamental part of your business. A prominent lumberman recently made the statement that, as a class, the retail lumbermen are altogether too lax in regard to collections, and while a proper system of credits and collections is essential, the main thing is to get the money, and this is good business for you and your customers.

BLACK LIST UNDESIRABLES.

704. It will be found very helpful to have a "Black List" of those who are unworthy of any credit whatever. No time need be wasted in consulting records and weighing circumstances if a name appears on this list. Sometimes a man is down and out financially; when he re-establishes his credit, his name should be taken off the Black List. By keeping clear of the blacklisted persons you will be on pretty safe ground all the time, the other class of trade, if having been too liberally supplied, will generally make progress and pay up eventually, especially when liens are filed or other security is obtained.

705. The Black List will be found particularly valuable when a new man takes over the yard, either temporarily or permanently, as he will be spared the trouble of looking up old records or going through credit files. The Black List should carry a brief description of each undesirable.

A SUCCESSFUL CREDIT MAN

706. Extends the maximum credit with the minimum of loss, or better still, has no loss at all, which is the goal for every man to aim at.

BEFORE GRANTING CREDIT.

OFFICE EQUIPMENT.

707. Gathering information requires persistency and system. Persistence is born in few men, but everyone can train themselves to be persistent. Briefly, never let up on a job until you have gotten results, or the necessary information you started out to get. Keep at it all the time, and do not let anything turn you aside.

708. System is something which you can instal, and it must be simple, yet complete, but must be persistently kept up. Information blanks should be printed. A loose leaf binder is recommended for this purpose, one sheet should be provided for each customer, and the sheets should be filed alphabetically. Make all records in ink, and note the day, month and year on which the record is made.

709. Establish a credit code and place at the right hand top side of the sheet, so as to indicate the general current rating of the individual.

The following information should be contained in this record:

Full name and post office address.

Description of all land owned or homesteaded, value of same; description of land rented.

If land is held under agreement, the purchase price and the total already paid in.

If a homestead, the date of entry and approximate date patents will be earned.

Encumbrances against the land, including judgments, each shown separately with names of encumbrancers.

An inventory of live stock and machinery, and the liens and mortgages affecting same.

A list of debts owing that are not included in the registered claims against the lands and chattels.

The acreage of the different grains that have been sown.

References.

710. In connection with city business the blanks should provide for the following:

Description of property to be improved, value of same and the encumbrances.

Whether registered owner, or owner under agreement; and if the latter, the name of the vendor, the purchase price and the amount already paid on the agreement.

The nature of the improvement contemplated and probable total cost.

Whether the property is to be occupied by or is to be for the use of the prospective purchaser, or is being purchased and improved for speculative purposes.

A list of other assets and liabilities, the nature of the business or employment engaged in by the applicant and the amount of income.

References.

QUICK ASSETS.

711. Make a special note of quick assets also quick liabilities, that is to say, the creditor's resources which could be quickly turned into money at any time, also debts that may demand immediate settlement and those which come due at, or about the same time.

ESTABLISH CREDIT RATING.

712. After you have gathered all your information, decide how much credit you will allow in each case. This will form a basis, but will vary with subsequent developments.

BUSINESS RECORDS GREAT ASSET.

713. The success of a business depends very greatly on the accuracy and completeness of its records, especially those showing the business history of the customers. These records must be in shape that they can be handed over to anyone else taking over your business, or managing it temporarily. Such records, properly kept up, constitute a business asset.

GATHERING INFORMATION

MAP OUT THE TERRITORY.

714. Everyone residing in your Territory should be classed as a possible creditor. a map of the territory made, showing everyone's location and a directory of the inhabitants compiled.

PERSONAL ACQUAINTANCE.

715. Make the acquaintance of each and every resident in the trade territory, gather all possible information concerning each prospective customer and compile in systematic form. This will enable you to safe-guard your credits, estimate your possible sales, increase profitable business, establish a greater confidence towards your customers, and save yourself a great deal of worry.

SOURCES OF INFORMATION.

716. Are the customers, their friends and neighbors,

banks, lawyers, court records, merchants, mercantile agencies, land titles office and the customer's past record.

PERSONAL INTERVIEW.

717. Visit the customer, or prospective customer, with the knowledge of certain credit information required, shown by your record card. A personal interview (use your eyes and ask questions) affords one of the most direct and best means of gathering credit information.

718. The following are some good points to keep in mind as they will indicate to you the man who will pay his accounts.

Keeps his promises.

Is a worker.

Is a good citizen.

Is cautious of going into debt.

Spends less than he earns.

Treats his animals well.

Wastes nothing around his farm.

Takes care of his machinery.

Keeps his fences and gates in good condition.

Is in possession of a good farm, good soil and a good well.

Has a good wife.

MERCANTILE REPORTS.

719. The weekly reports issued by R. G. Dun & Co., and Bradstreets showing record of writs and judgments should be systematically consulted, and a notation made of any items affecting persons who are or may become customers.

WHEN GRANTING CREDITS.

720. This is when the information gathered, regarding your customers, is put to the test. There is no formula to apply in granting credit as no two cases are exactly alike. If credit were judged by the material standing alone certain rules could be applied, but as the human side, with all its variability, is of vital importance, it must be considered in every instance.

721. Each applicant for credit constitutes a new problem, but aside from the human aspect of the case, or moral standing, as it is more properly called when dealing with credits, the general principles set forth in this paper, should be applied.

WHEN GRANTING CREDIT.

722. Credit must be kept in balance—You must know how much credit to grant.

Granting credit requires wisdom and courage.

723. Consider the following points:

Capability—Is it physically and mentally possible for the debtor to carry through his plans to sufficient success to be able to retire his obligation?

Dependance—Is the debtor to be relied upon to use his best efforts to retire the debt?

Endurance—Is the debtor's health and general manner of doing things a guarantee that he will stick close to business?

Industry—Is the debtor active and industrious enough to carry through what he will undertake?

Resources—Of the debtor, which may be called upon to furnish the funds to meet the obligation. The resources may be of many varieties but can be roughly classed as:

Business Assets.
Real Property.
Personal Property, or
Guarantees.

Liabilities—Against the resources must be placed the existing liabilities, it is necessary in order to properly judge the credit value of the resources, to consider equities and also solvability.

Laws—A debtor's capacity towards fulfilling his obligations is tempered by the laws governing trade and commerce. It is most important, therefore, that sufficient knowledge concerning the laws should be had.

GET PROPER LAND DESCRIPTION.

BUYING FOR CASH ELSEWHERE.

724. It is a very serious thing and takes nerve to refuse, but even more serious to extend poor or unwise credit. You might find that some of your old customers were still on your books owing you money, and at the same time buying for cash elsewhere. This would show that you had not handled the customer properly, or probably had not gotten your information complete and up-to-date.

725. Always bear in mind that a man who buys building material on time is borrowing that much money, and the banks are very, very careful in granting credit because they handle money as their raw material. Merchants are often careless in granting credit, simply because they are not handling money, but merchandise.

95% WILL DO ORDINARY THINGS.

726. In granting credit remember that 95% of mankind will do only the ordinary things. This emphasizes the fact that you must get down to a very cold, practical and conservative basis of granting credit, and it is always safe to discount the statement of the buyer as to his powers to re-pay you.

CREDIT AND THE COMMUNITY.

727. In addition to the effect of credit on your own business, remember that every act of yours affects the community in which you live and trade. This applies most directly in regard to credits. By a wise extension of credits you will be successful, and build up a permanent and prosperous community, whereas by an unwise, extravagant, careless granting of credits, you will bring about your own downfall and undermine the life of the community.

You and the community are one.

A careful buyer will usually be good pay; a careless buyer poor pay.

WILL YOU HAVE TO FORCE COLLECTION?

728. Never sell goods on time, no matter how good the risk or security may appear, if, in your judgment, you will have to force collection. Collection of accounts by law will wipe out your profit, entail the loss of some of the money which you actually paid for the goods, and, in addition, create a bad impression in the community and ruin the customer, who by judicious credit handling, you might convert into a good customer.

NEVER OVER-SELL A CUSTOMER.

729. Keep a good customer sold up all the time, otherwise he will use his spare money, or spare credit, to buy

some other commodity from someone else. Anyone can sell lumber on time, but it takes brains to sell lumber on time and collect the money.

DISCOUNTS.

730. There should be a standardized policy on discounts, prevailing at least in your own district, and preferably adopted by the trade in general.

HAVE EVERY POINT UNDERSTOOD.

731. Firmly establish in the mind of your customer that to obtain a discount, terms of sale must be lived up to. Have every point, in connection with the payment of the account, thoroughly understood by both sides when the sale is made. Leave nothing open to discussion when it comes to payment. Have everything in writing, and have it thoroughly understood that the account must be paid, or taken care of in some way, when it comes due.

OUTSIDE CUSTOMERS.

732. Extra caution should be exercised in granting credit to a customer living outside your own territory. A customer will seldom travel any greater distance than he need, to buy goods, unless he has temporarily fallen out with his regular merchant, or, what is more likely, cannot get credit at his regular merchant's any longer.

SECURITIES.

733. Should be taken on all amounts over \$300.00, unless the customer has established a first class rating with you. Some dealers get a note signed on delivery for every dollar's worth of lumber.

734. Securities can be taken by note, or a note endorsed by a friend or friends of the buyer, filing a Mechanics Lien, taking a Chattel Mortgage or a mortgage on the land, Bill of Sale or some legal process, varying in different communities, by which the Buyer vests in the Seller the ownership of something which the Buyer actually owns, and this agreement to be redeemed either by the payment of the account when due, or the handing over of the material which is given as security, in the document.

Get proper land descriptions.

LOST DEBTORS.

735. A great deal of money is lost, when it is all totalled up, through a customer moving out of the district and not settling his accounts, or leaving his address behind him. Through a system adopted by the Western Retail Lumbermen's Association of Canada, the names of such parties are bulletined to all the dealers, and a percentage of such lost debtors are thus located.

STANDARDIZED TERMS OF SALE.

736. It is most desirable that Standard Terms of Sale should be established and adhered to by all the dealers in the Retail Lumber Business, and while any form of Standard Terms of Sale will have to vary to suit conditions prevailing in different localities, where credit is varied by different marketing conditions, the following Standard Terms of Sale were submitted at the Twenty-Seventh Annual Convention of the Western Retail Lumbermen's Association of Canada, in January, 1918.

MEMORANDUM FOR DEALERS OF SUGGESTED
"STANDARDIZED TERMS OF SALE."

1. That the term CASH, shall mean **Cash on Delivery.**
2. That the term CREDIT, shall mean **not longer than 90 days.**
3. That no CREDIT shall mature later than **First November.**
4. That a cash "clean-up" shall be made within the year; otherwise no further credit given.
5. That business in November, December, January, February and March, shall be on a CASH, or within 30 days basis.
6. That interest at 10% per annum shall commence after 90 days, and a note should be taken at that time.
7. That for CASH ON DELIVERY, a 5% discount shall be allowed off all material on bills up to \$300.00.
That for CASH ON DELIVERY, an extra 5% shall be allowed on bills over \$300.00.

Clause 4 is applicable to all parts of the world, and is very highly recommended. In connection with these Standard Terms, it is intended that you should mail letters to your customers, drawing their attention to the Terms of Sale which you have put into force. The two following form letters are recommended:

737. FORM LETTER.

October 15th, 1918.

To our Customers:

"Terms on Lumber and Building Material"

On and after November First, and until April First, 1919, lumber and building material will only be sold for cash, or on 30 day terms.

For Cash on Delivery a 5% discount will be allowed. It is decided economy for you to pay the Cash, but it must be paid at the time of taking delivery to get the discount.

The crop is now harvested, and money available; so that these terms will undoubtedly meet your needs.

.....Lumber Co.

738. FORM LETTER.

SUGGESTION OF MEMO FOR CUSTOMERS.

February 1st, 1918.

To our Customers:

"Terms on Lumber and Building Material"

To encourage payment of Cash on Delivery, a discount of 5% off all lumber and building material is being given. This applies only when paid at the time the material is taken out.

It is good economy for you to take advantage of this discount; it is also good economy for us, as Cash on Delivery saves up book-keeping, collection expense, interest charges, and some bad debts.

As for buying material on Credit; while war-time conditions exist, all accounts contracted must be settled in cash, within 90 days. If (for any unavoidable reason) this cannot be done, a note will be required, bearing interest at 10%, payable October First, and full settlement made out of the current year's crop.

Under present conditions, we ask our customers to carefully note these terms.

.....Lumber Co.

INSURANCE.

739. When granting credit for building material to be used either for repairing, remodelling or constructing a building, it is advisable to make sure that the building is properly covered by insurance, and when deemed wise, have the insurance policy made over to you.

740. Applicants for credit are divided into the following classes, and each class calls for special attention as their credit value varies.

OWNERS.

741. Farmers who own the land on which buildings are to be constructed, or repairs made, are, generally speaking, the best class of risk. You must ascertain what mortgages are registered, or what encumbrances there may be on the land, or existing buildings.

We emphasize again the necessity of getting the proper land description.

TENANTS.

742. Accounts with this class are usually looked on unfavorably. Security by way of a guarantee from the owner of the land, upon which the lumber is to be used, would make it safe for you to sell the tenant. In this class of risk, keep in touch with all the creditors, as tenants have a faculty of incurring undue liabilities, not feeling the same responsibility as the actual owner of the land.

PURCHASERS UNDER AGREEMENT.

743. Special care must be emphasized in granting credit to customers who have purchased land under Agreement of Sale. Usually there is nothing shown on the records at the Land Office which would enlighten you as to the interest or equity of the purchaser. Get full details regarding the contract. Find out how much is still outstanding on the purchase, and if the owner can deliver title.

744. A Mechanics Lien filed against land, purchased under agreement, will give you some security, provided the purchaser has sufficient equity to attach at the time the lien is filed.

745. In many cases your customer may have only a small equity, probably just the first payment, or possibly no payment at all. In that case a Mechanics Lien would, of course, only be a blot on the title, but the original owner of the land would however have to clear that blot off before he could have the title cleared, were he to take back the land.

746. This does not mean that he would be obliged to pay your account for which the lien was filed, in fact it is very problematical whether you receive anything at all. It would be more than likely that the accrued interest on the unpaid purchase price would more than offset the increased value of the land by reason of the improvements in connection with which you supplied material, unless your account was an unusually large one, but you could collect nothing unless you prove that you had sent written notice to the original owner before and as you supplied the material, in order to give him an opportunity of disclaiming liability if he so desired, in accordance with the Mechanics Lien Act.

HOMESTEADERS.

747. The lumber business with homesteaders in Western Canada is very heavy, consequently, greatest care must be taken to handle the business properly. Security of some sort is usually required, and generally cheerfully given as the homesteader realizes that at least until he secures his patent, he has very little on which to base credit.

APPLIES TO CANADA.

748. A Mechanics Lien in some cases can be filed, although the Registrar may not always accept same, as he has the right to refuse to record a Mechanics Lien, as the homestead, until the patent is granted to the homesteader, is the property of the Crown, and no action can be taken officially, to secure payment or collect debts from the Crown. No instance is known where a Mechanics Lien has been refused, and it is reported that the Courts have decided that a Mechanics Lien can be filed against the Estate of the homesteader, it seems therefore that there is no reason why a Lien against an unpatented homestead cannot be considered good security.

749. Negotiations have just been completed, March, 1918, with the Department of the Interior, Ottawa, whereby they will unofficially accept assignment given by the homesteader to the Retail Lumber Dealer which was set forth in Bulletin No. 69, as follows:

I.....hereby request the Department of the Interior to pay over toLumber Dealer, the sum of \$....., which debt I incurred for buildings now erected on this homestead.

(Set forth description of the land.)

750. If you have sold lumber to a homesteader, and you believe he is going to quit, ask him to sign an assignment paper or order on the Government for the amount of the lumber which you supplied him for the buildings erected on that homestead. You do not need a printed form.

751. It has been suggested that it is advisable to so word the order above referred to that it can be considered an assignment as well as an order—this can be done by commencing the form with the following words:—"I hereby assign in favor ofCompany," and then continue with the form given above. It is obvious that if this form is followed it gives you preference if the Government looks at the matter from a strictly technical and legal standpoint, inasmuch as any number of orders may be given reading as above, which would likely only rank or be paid on a pro rata basis, whereas your memorandum being in the nature of an assignment as well as an order, makes it incumbent for the Government to recognize it as such.

752. A statement should then be attached as to whether any moneys have been paid on the lumber, and if so, how much. This assignment should then be witnessed, and when the homesteader does quit it should be sent to the Department of the Interior, and when a re-entry is made the Department will endeavor to allocate such moneys as are available from the re-entry, and the Retail Lumber Dealer will thereby be reimbursed, if not for the entire amount of his bill, at all events for a proportion of it.

753. Provided seed grain or other Government Liens even although filed subsequent to your Mechanics Lien or incurred subsequent to your account, do not wipe out the entire amount available, since you will understand, such Liens take priority. It is therefore important that

any order or assignment you take should be on the understanding that it is collateral security, and you should take a note on the spot for your account, with the hope of collecting your account by some other means.

754. You should ascertain the date on which the Patent is to be issued, also as to whether any loan is being negotiated by the homsteader, and see that you get your money immediately that loan is granted, otherwise, it very frequently happens that when a man receives the amount of the loan, not having had any large amount of money in his hands for some time, he is liable to spend that money for the purchase of other things. You must always bear in mind that people, except those who have a thorough understanding of credit, its value to them, and the benefits derived from paying their accounts promptly when due, have a natural disinclination, when they do get money into their hands, to pay for something which they have previously bought.

755. You must also bear in mind that you are liable to get nothing out of the loan, if you have no Mechanics Lien filed—even though you obtain an order on the loan you may not receive the full amount, or any amount of the proceeds, especially if there are other encumbrances against the title and you have waited until the customer applies for a Loan instead of filing a Mechanics' Lien when the material was supplied.

THRESHER FARMERS.

756. This class of credit risk requires even more careful handling than any other. Until recently the machine companies took security on the loan at the time of the sale of threshing outfits. The Provinces of Saskatchewan and Alberta now prevent this being done, but a great many farmers are still tied up with machine company mortgages and caveats, and their earnings from the machine and also their crop are pledged to the machine companies to such an extent that they cannot do their own financing, but must follow the dictation of the machine companies.

757. It seems to be generally accepted that, except in very few cases, the farmer who operates a threshing outfit for other than his own use, does not make money, therefore, where farmers own large threshing outfits, unless the outfit is paid for, be very careful in granting credit.

MERCHANTS.

758. It is usually necessary to secure from a merchant a statement of his assets and liabilities. This is not always done by the lumbermen of the present day, possibly because the information can be obtained from other sources, but the merchant is not under any obligation to the lumberman for information obtained from outsiders, whereas he is if he gives a signed statement of his assets and liabilities to you as a basis of security.

759. Consider the merchant's business both as to volume and profits, and especially as to the character of the man himself, also the surrounding conditions of the locality.

760. It is in order for the lumberman to investigate the investments of the merchant, shown on his statement, outside of his chief business, and particularly to his liabilities. In reference to this information Real Estate investments have proven the undoing of a great many otherwise successful merchants. The question of security, in case the statement of other effects and financial

stability are not satisfactory, must be then thoroughly gone into.

761. You have the privilege of filing a Mechanics' Lien, but be sure that the Mechanics' Lien will prove of value when filed, therefore, search the title to the land. How much money is still owing on the land? In whose name does the contract stand? As long as the contract is in the name of the merchant or his wife, a lien would be attachable, but if the contract or title is in any other name, the Mechanics' Lien would be of doubtful value. A direct security is very much to be desired in preference to a lien.

762. A mortgage would have all the good points of a lien, and very few of the bad ones. Arrangements should be made, when the credit is granted, for a certain percentage of the amount to be paid on delivery, and then graduated payments made by the merchant in conformity with the volume of trade done at different periods throughout the year. See that the buildings are insured.

SALARIED AND PROFESSIONAL MEN.

763. This class of risk is not as stable as the risks which have established businesses in which their capital is tied up, and a substantial initial payment should be insisted on. Find out the wages earned, or the approximate average revenue. In the case of wage earners, look into the question of permanency of employment; in the case of professional men a great deal depends on how long they have been established and their general standing in the community, also the sources from which they get their revenue, and it is advisable to have a Life Insurance Policy taken out by the customer, sufficient to meet his outstanding obligations in the event of death. This policy should be made over to you.

764. A complete statement of assets and liabilities should be furnished, and in this class of risk the social standing of the wage earner or professional man has a very direct bearing, as accounts can be collected from men who maintain a high social standing, who may be absolutely worthless, simply because they hold a prominent place in society, which may be an asset to their business, and it would embarrass them to be pressed for payment in any way which might become known to the public.

765. In the case of wage earners, a written guarantee can sometimes be secured from the employer. It is very essential in this class of risk that definite and systematic terms of payment, which should conform to the periods when the wage earner receives his wages, or the professional man collects his accounts, but insist on a substantial cash payment, and be sure that this cash payment is not borrowed from some one else. This also applies to all classes of risk.

CONTRACTORS.

766. It is important, in case the contractor is not thoroughly reliable, that the terms and limits of the contract should be known. If it is a case for a Mechanics' Lien, the owner of the property, upon which the building is to be put up, must be notified in writing that the building material is being sold by you to the contractor for the erection of a building on his property, and the owner will be expected to see that the account is paid. This point is emphasized here, and is fully

dealt with later on under the head of Mechanics' Liens. The owner, properly notified, is bound, by the Lien Act of the different Provinces, to accept such notice, and will be held responsible for the amount mentioned in the last notice received by him. The owner is not responsible for any amount other than that mentioned in his contract.

767. It is often advisable to secure an order from the contractor on the owner, and have the order accepted before sending out the material. Especially in the case of contractors it is very necessary to co-operate with other merchants so that you and the other merchants will know the total amount of liabilities being incurred by the contractor.

768. Credit business with contractors, except those of thoroughly established financial and moral reputation, are some of the most difficult to handle. There is often a bond of, perhaps, friendship, or more likely business acquaintanceship which will lead you to accept the contractor's statements without quite the same careful investigation that you make with others, and you must remember the fact that in dealing with a contractor, you are, through him, dealing with credit risks that you know probably very little about, and from whom you may have to collect your money.

769. You are the man who is actually loaning the money in the shape of building material to someone else who expects to make a profit on it, therefore, you are the one most vitally interested, and the one who must exercise the greatest amount of business ability and foresight. Make sure that you will get the money before you let the goods out of the yard.

WHEN GRANTING CREDITS.

770. In establishing a basis of credit, it is essential that both sides, and especially the applicant for credit, realize that co-operation is very essential in credits. When granting credit always be frank, concise and accurate, leave nothing open for discussion, and be sure that your intended debtor knows the meaning of credit, realizes the advantage he is getting by establishing credit with you, and that, to maintain that credit he has got to live up to his promises, just the same as you do, in that, when you state you will give him the goods on time, you deliver the goods when, where and as they are required.

COMPARE WITH OPPOSITION.

771. You can save money by co-operation with your competitor.

First arrange with all the lumber dealers in your town that they will each and every one take a Property Statement, then arrange for an interchange of information on these Property Statements.

This will enable you to find out how much credit your customer has at your competitor's, and your competitor learns how much credit you give a certain man. By checking up the property statements you have an opportunity of verifying the information given you.

772. It is also good business to take up the matter of credits with the Bank as they have the credit business down to a very fine point, and as a rule they are willing to co-operate with the merchants in discussing the credit rating of the people who deal with them, and also deal with you, as it is in their interests as well as in yours.

CREDIT BUREAU.

773. The ideal way of handling credits in any community is for the merchants to establish a "Credit Bureau," whose business it is to collect all information from and about every customer in the district, which is Centralized Effort, then the merchants report to this Bureau, say, each week or more often if desirable, the accounts on their books, and every person's indebtedness to each merchant would be charged up to that one person's account in the "Credit Bureau." Banks and Merchants should co-operate in this.

774. In any sized community, it will entail the services of one man who must have the confidence of the people, as he must not give out information as regards one merchant's business, to any other merchant, but report to a member of the Bureau on request, the standing of any one consumer, and also draw the attention of the merchants, interested, to any case where the combined debts of a consumer are exceeding the amount which should be jointly extended.

775. The adoption of a "Credit Bureau" where a large amount of business is done, will forestall a great many losses, save the merchants loss of customers, because every customer who fails to pay his debts, and has to be closed out, means a customer absolutely lost to the community. It may be some time before his place is taken by another coming in, and the credit of the new prospective customer may not be as good as that of the man who went down and out through lax methods of existing credits, by unorganized merchants allowing a particular customer to incur unwise obligations during temporary ambitions or over-optimistic moments.

776. Don't give credit when the customer is using his own money for speculative ventures.

LOCAL AND WORLD CONDITIONS.

778. World credit conditions have a direct bearing on local conditions. The one is usually a reflection of the other. Do not be caught with a lot of loose credit outstanding when a depression strikes your locality. The wise man sees it coming in the movement of world conditions, and the same applies to the encouragement of sales when you see a period of prosperity approaching. To handle this situation requires foresight which you can stimulate.

REAL ESTATE MORTGAGES.

779. When taking a Real Estate Mortgage as security and same is a first mortgage, also obtain the duplicate certificate of title, or be sure that it is in the "Land Titles Office," so that the mortgage can be registered.

EXECUTED BY WIFE.

780. Also note particularly as to all Real Estate Mortgages, in fact any document of security affecting lands and given by a debtor as security, that it is now necessary, in view of the "Dower Act" of 1917 to have same executed by the wife of the debtor and her acknowledgment taken before a Commissioner or Notary Public.

NO WIFE.

781. Should the debtor be unmarried, there is a special form of affidavit to be made to the effect that the debtor has no wife.

GET NOTE WITH SECURITY.

782. A very important point to watch when taking security, more especially when taking a Real Estate Mortgage, is that you should also insist upon receiving a promissory note, or a renewal note, concurrent with the mortgage or other security. You simply take the mortgage as collateral security, and you should place yourself in the position of being able to enter action on the note at any time when necessary and realizing in any other manner, in case you do not deem it advisable to rely on the security; in fact, under the "Land Titles Act" it is now necessary, when taking proceedings under a Real Estate mortgage alone, to exhaust all efforts of realizing your claim thereunder by costly foreclosure proceedings, before you can obtain judgment against the Mortgagor.

JUDGMENT ON PROMISSORY NOTE.

783. It is just possible that if the mortgagor carried the matter far enough, he might succeed in defeating your efforts to obtain judgment before foreclosure of the mortgage, but it is unlikely this plan would be generally adopted and in many cases, at least, you could avail yourself of the opportunity afforded, by obtaining a judgment forthwith, as the holder of a promissory note.

LIMIT OF CREDIT.

784. A definite limit of credit should be assigned to every customer, no matter what the reports and indications may seem to warrant. This may be \$50.00, \$500.00 or \$5,000.00, but after once establishing a credit limit, it should not be raised without again carefully reviewing and closely investigating all circumstances surrounding the cases. On the other hand, should the customer fail to meet his first bills promptly at maturity, the limit of credit should be reduced immediately. If he is unduly slow the second time, his limit should again be cut, if he continues to be slow, don't encourage sales and get him on a cash basis.

AFTER GRANTING CREDITS.

785. Underlying the entire subject of credit there is "The Law" as applied to the particular part of a country in which you are doing business, therefore study it. At least look up those points that are most important.

786. What kind of securities can be taken, the legal relationship of man and wife, Mechanics' Liens, Mortgages, Notes, the rights, privileges and protection provided by law to both seller and buyer.

The foregoing are important legal points.

Obtain correct description of land.

Take nothing for granted.

Have a permanent record of everything you do.

Be watchful so that where debtors change their condition you will know of it.

787. Here is where the Credit Bureau, or close co-operation between all the merchants in a community, will save a great deal of money and worry, otherwise, some other merchant, not as careful as you, may allow one of your customers, who is now indebted to you for a considerable amount, to incur a new debt which will seriously affect your position.

788. Mistakes or bad judgment in your previous work will now show up. This is the time to correct same. Your one aim and object after granting credit is to get the money.

YARD TICKETS.

789. A yard ticket or delivery slip should accompany all material supplied on time, and, incidentally, the delivery slip should be given with all material delivered for cash or under any conditions. This ticket should set forth the proper description of the land on which the material is to be used; the customer's name, both Surname and Christian in full spelled correctly, or exactly the way the name appears in the land record office. A variation in this latter connection is liable to cause you loss of money if you should have to take action to recover your debt. The delivery slip should, by the signature of the customer, acknowledge the purchase and receipt of the goods from the seller, the value clearly stated, any discounts, interest to be charged, and the time when the goods are to be paid for, and a copy of this slip should be handed to the customer. It is well also to have a memorandum printed on the delivery ticket to the effect that the customer hereby acknowledges receipt of a copy of this delivery ticket. Yard tickets must be carefully filed as permanent records. It may be necessary to prove delivery, and your yard ticket is essential for that purpose.

FOR YARD

CALCULATIONS SUBJECT TO CORRECTIONS AT
HEAD OFFICE.

LUMBER MERCHANT

LUMBER, COAL, BUILDING MATERIAL

.....191.....

Yard..... Est. No.....

Sold to..... P. O.....

for Erection

Loaded by..... Taken by..... or Repair of a.....

.....of Sec.....Twp.....Rge.....W. of.....; Lot.....Blk.....

Pcs.	Size	Length	Feet B.M.	Mldg. Feet	Grade	Description	Price	Amount
	x							
	x							
	x							

I acknowledge the purchase and receipt from LUMBER MERCHANT, of the said material to the value of \$.....upon terms of payment as follows:

% discount for Cash on delivery; % discount if paid within 30 days from date of purchase; % interest to be charged after 90 days from date of purchase.

Owner — Contractor — Renter

790. The Yard Ticket is practically the only conclusive evidence you have to prove your Mechanics' Lien, consequently great care should be taken in this respect, particularly as to the legal description of property where the material was used, and the obtaining of the customer's receipt or signature.

INVOICES.

791. An Invoice should be rendered shortly after delivery. It should show not only the amount of purchase and the yard ticket number, but also the terms of payment.

STATEMENT.

792. Especially where purchases are made from time to time, a monthly statement should be furnished the buyer at the end of each month. This should also carry the terms of payment and especially emphasize the date due.

793. Have a copy of the statement filed alphabetically for convenient record when the customer is settling the account. It is good policy to have two copies of the statement made when making the original one for the foregoing, and to file under a date two weeks before the account comes due, so that, on referring to your dating file you will have a record of all the accounts which are to be paid two weeks from that date. Advise the debtor of the fact, intimating that you expect the account to be settled on the date it is due, then transfer the statement to the actual date of payment. You will therefore have in the same file, each day, statement which calls for your advising the customer, and statements which call for the payment by the customer.

LEDGER RECORD.

794. In opening ledger accounts, place at the top of the sheet, the Customer's rating (the amount you will trust him with), terms of payment, and his address, as well as his name in full, also a description of the property on which the lumber is used. This serves as a guide, enables your employees, or the man succeeding you, to see at a glance, the essential features in connection with each customer's credit.

CLAIMS AGAINST ESTATES.

795. Always be prepared for the death of a debtor, and consequent handling of the debt by the estate. Getting a note at the time of sale or afterwards, obviates any dispute such as is liable to occur if you have to present to the estate merely a statement of unpaid invoices.

796. If it is not your policy to take a note at the time of the sale, when a customer falls sick, and you have reasons to believe that the sickness may result fatally, it is wise to get a note signed as soon as possible.

797. The taking of notes at the time of the sale undoubtedly obviates a great deal of trouble later on, but it is a much disputed point, and not adopted, as yet, as a general practice, some dealers claiming, and rightly, that a man's condition may change, he may become insolvent, and a note once given prohibits legal action for recovery being taken prior to the due date, whereas, on an open account, action can be started at any time.

798. The taking of a note at the time of the sale or the delivery of the goods, is being done by some very successful concerns. It is partly a matter of educating the customers, and, logically, it is the right thing to do,

as that policy is adopted by the Banks. You cannot borrow money, or have an overdraft at the bank, without it being promptly covered by a note, and, therefore, as the best financial institutions carry out this policy, there is a very strong argument in favor of the Retail Lumbermen adopting a similar procedure.

PROPERTY STATEMENTS.

799. We have dealt with the gathering of information on which you base the amount of credit, but when "granting credit" you are in a position to ask the customer to fill out a "property statement." Thoroughly explain the subject, emphasizing that it is a confidential statement, and the giving of it fully and honestly increases his credit standing. As the customer wants very material assistance from you to enable him to make more money, or satisfy a wish, it is only "fair play" that he gives the seller, who is taking all the chances, this statement. The banks always get a property statement, but they have educated the public to their way of doing business. So can you. They have been very successful, therefore, do the same as they do, and, incidentally, it will be easier for you to borrow money from the bank if they know you are carrying on your business as efficiently as they are, namely: that you are just as careful in granting credit as they are, and have your credit protected to just the same extent. A sample property statement is given herewith. Exhibit B.

800. Some dealers who adopted the principle of taking property statements, found that certain customers would not give the information, and it required a nerve to refuse credit to those men, but it was subsequently found that the other dealer who would give any kind of credit without taking a Property Statement, had all the bad debts on his books. The man who actually owns something worth while, and has little or no old debts or encumbrances, is willing to tell you—the man in the opposite condition, as a rule, is not anxious to give out any information. It is far better for you to have the lumber in your yard than to have it in somebody's building, and not be able to get the money.

BE DEFINITE ABOUT DUE DATE.

801. When taking a note do not, either by direct statement or inference, lead the debtor to believe that you will extend it from time to time. It is good practice to take a number of notes for the amount coming due at succeeding periods. Always have it thoroughly understood by the debtor that the note must be met exactly on the due date. You might intimate, however, that the note can be paid off prior to its coming due, and thus save the debtor interest.

INTEREST.

802. The Retailer is entitled to interest on his account, as he either has his own money in the business, as represented by the sale of lumber, or his money borrowed from the bank, and whether it is money borrowed from the bank, on which he has to pay interest, or his own capital, it should be earning interest.

803. A great deal of loss occurs, owing to the fact that interest is not always charged. The rate of interest which you should charge depends fundamentally on two things: If you are borrowing money from the Bank, then your rate of interest will be the rate you pay the

bank, plus your expenses and profit. If you are using your own money then you can make it a lower rate, or make it just what the banks are charging, but the rate of interest has to be determined by a number of circumstances peculiar to your own conditions and locality.

804. Have the exact amount, terms and rate of interest clearly understood and recorded on the note, and charge up the interest due, on each of your accounts, at certain stated and frequent intervals, in some cases once a month, but in any event not less frequently than every three months.

NOTES.

805. A note avoids dispute as it is evidence that the customer owes you the amount shown on the face of the note. Do not take a note and imagine that your bill is paid, or the account settled, a note is merely a postponement of payment and should be, unless the debtor is of recognized good business standing, backed up by security. A note endorsed by a friend of the debtor is, in nine cases out of ten, very unsatisfactory.

Have your Notes come due before any other creditor.

806. Many dealers argue that a note should not be taken until every effort has been made to collect the account. Some people have the impression that the giving of a note, in some way or another, settles the account, and the average individual does not take steps to provide for payment.

807. If such an impression or condition exists in your community, it should be eliminated as effectively and as promptly as possible, by written notice to the maker of the Note some ten days or more before its maturity, to the effect that his note falls due on a certain date and payment is expected at that time.

808. This introduces the question of giving publicity to the subject of credit. In the strictly commercial world, which may be defined as that part of commerce handled by and between manufacturers, wholesalers and retailers, notes are given knowing that by general custom they must be paid when due, but amongst individuals and the consumers generally, there is not the same conception of the responsibilities and requirements devolving in connection with the giving and payment of notes, therefore credits in the retail field require much more time and care in handling than in any other branch of commerce.

SECURITY.

809. The security most frequently made use of by the lumber dealer is the Mechanics' Lien, the exact wording of which varies in almost every part of the country. You should secure a copy of the Mechanics' Lien in force in your district, and study it carefully. This form of security generally affords certain advantages over other securities, giving priority over practically all other claims, except the purchase price of the land. The taking of a mortgage does away with the necessity of proving delivery of the goods, which must be done in case a Mechanics' Lien has to be enforced.

In this connection, more than any other, you must have a knowledge of the law.

810. Sometimes it is necessary to take security, not for the purpose of protecting one's self against failure of the debtor, but to guard against the inroads of other creditors who may encumber the land and chattels of your debtor, thereby securing precedence and affecting your account and claim.

SECURITY EXPENSES.

811. All expenses in connection with securities should be collected from the person accommodated, especially in the cases of small accounts, otherwise you are liable to allow inroads into your profit.

EXTENSIONS.

812. Do not grant an extension unless you have exhausted every means of securing payment. A request for extension is *prima facie* evidence that the debtor is not in first class financial shape, and if security has not previously been gotten, it should be gotten "when extension is granted." If security has been previously given, additional security should be taken.

813. Prior to granting extension, existing security must be checked up to ascertain that it is in full force, that it is not affected by any subsequent action of the debtor. It is always well to be very candid in connection with all features of credit, and doubly so when extensions of credit, renewal of notes, etc., are under consideration. Get a new note. Do not destroy the other.

COLLECTIONS.

814. Be enthusiastic about collections. The condition of your business at the end of the year is more seriously affected by collections than anything else.

A SUCCESSFUL COLLECTOR.

815. Is a combination of all the good traits which go to make a successful man. He must be resourceful and diplomatic, in one case brutal and relentless, in another courteous and amiable. A method applied with one debtor may fail altogether with another. This calls for a study of human nature.

Be on the job all the time, never take "no" for an answer. The man who goes after the money gets it.

DISCOUNTS.

816. One method of securing prompt payment is by a system of discounts. To many people, the saving of money is more interesting than the expenditure of money, therefore show them how they can save money by paying their accounts.

817. Make it your daily business to watch collections just as you do sales, and the purchase of material. Make it attractive for your debtors to pay their accounts.

TOUCH THEIR AMBITION.

818. Keep before your debtors some goal which they may reach, something additional which they may acquire after paying up their accounts. Write them a letter to the effect that you have a new design of a house or barn which they would like to have, and, as they will be settling their account very shortly, they would then be in a position to buy, so, with your letter asking for payment, enclose some attractive advertising matter.

ALWAYS SUGGEST THE POSITIVE.

819. Always suggest to your debtors that they are going to pay their accounts; never suggest that they may not. The mental attitude you create has a lot to do with it.

COLLECTION LETTERS.

820. In their first stages at least, should not be form letters or stereotyped, they should bear the personal stamp and should be sent out with the view of reminding the debtor of his obligation and encouraging him to call and make payment.

821. If two such letters do not bring results, then canvass the debtor, your letters have paved the way. Should you still be unsuccessful, start a series of form letters, each one growing in strength, sent at regular and close intervals. Always state a date by which you expect a response, then if you do not receive a reply, you have put the debtor in the position that he has brought the trouble on himself, which he easily could have avoided by answering your letters, or giving you satisfaction or additional security at the time you called. Mention this phase in your last letter.

822. Never make a threat, either verbally or in writing, that you are not prepared to carry out, and once you have threatened any definite line of action, carry it out.

DON'T WRITE TO EVERYONE.

823. On your books, there are a percentage of debtors who will pay in the regular course of events, and who resent being followed up, but everyone must pay, no matter how good their credit rating. If an account is not taken care of on its due date, take the matter up with the debtor at once.

LAX METHODS CAUSE TROUBLE.

824. If the debtor has been led to believe by direct statement, inference, or by your general conduct and system of handling accounts, that you are lax in your credits, it will be doubly hard to get the account paid, whereas, a firm that is known to be exacting in their credit business, will not experience as much trouble in getting security, and in getting their accounts paid.

825. Not even a day's delay in payment should be allowed without the reason being known. Three good reasons for getting accounts paid promptly are:

1st. The fewer unpaid accounts, the less capital tied up, consequently the more money available for developing profitable business.

2nd. Reducing the risk of loss.

3rd. Influence upon volume of sales, as you can make more money in buying and selling goods than the interest you collect on unpaid accounts.

826. A concern whose collections are steady and assured, can afford to give more liberal terms, and will have a larger volume of business. It is evident therefore that the closer you watch collections, the greater will be your business.

FOUR DISTINCT CLASSES.

827. Mankind can be divided into four classes: the successful, the ordinary, the failure and the scoundrel, and into these four classes you can divide your debtors. You do not need to give much time to the successful class. The ordinary or second class will require considerable following up on collections. The third class, the failure, will take more time than any other, but it will usually pay you to take special pains, as you can often turn the failure into a success by giving brotherly attention.

828. For instance, owing to the fact that you did not know this man was going to be a failure, you let him run up a bill for some hundred dollars for his buildings. He has gotten into a bad snarl financially. Now, there is no good crowding this man, as it will only break his spirit, and lose all your money; establish confidence with him, as you should do with all your debtors, except the fourth class, go into all his affairs and help him to straighten things out. It may be that he is not farming enough land, has not enough money to buy seed, therefore, do not bother about your account, advance him some money, or rather buy him some seed and charge it up to his account. Perhaps he does not know enough about farming; then get him some assistance either from the Government Demonstration Farm, in fact if you have many of this class in your district, arrange with the Government to send one of their demonstrators down to the district to live there for a while, and that action of yours being done as a lumberman, will collect more bills than any other action you could think of. In other words put the man on his feet, do not drive him into his grave.

829. You see that aside from the brotherly standpoint, the standpoint of creating confidence in you and your district, such action will pay, nine times out of ten, pay you handsomely.

830. Now, as to the fourth class, the scoundrel, make him respect you. The moment you find he is a scoundrel, put the blocks to him. Put this man up against the law by taking legal action, but do it quick and make your action drastic. Put him right out of business, for such men never ought to be allowed to stay in business in your community, they are better out of it.

AS ABOUT A LAST RESORT.

831. Place the matter into the hands of a Collection Agency, but, just showing the amount of loss which your business will incur by letting a bill run unpaid for an undue length of time, the average charge made by a Collection Agency is 25% of the amount of the account collected.

THE LAST RESORT.

832. Never resort to legal proceedings unless every other known method has been tried out thoroughly and failed.

833. Don't blame the debtor, blame yourself, every debt was collectable at some psychological moment.

834. Collect unsecured accounts first. When unable to collect always get security.

OUTLAWED ACCOUNTS.

835. All unpaid accounts become outlawed in Canada in six years from date of last payment on account.

COLLECT BY PUBLICITY.

836. Create general conditions and a state of mind in the community, which will encourage collections. Have certain settlement days, say, twice a year in your district. Beforehand write up the subject of credit, emphasize the benefit to be gained by the individual paying his accounts promptly. Feature, in local papers, talks and pamphlets in the winter, encouraging increased production, so that all accounts can be paid easily. Offer special discount to all coming into town on Settlement Day and paying off their accounts.

837. You can work this alone if your accounts are sufficiently large, but never be afraid of doing it jointly, or as a Community scheme. The more successful the community, the greater opportunity of success for the individual.

838. Your success in granting credits and making collections, is now entirely in your own hands.

But we trust that what has been said in this paper will assist you to a more clear and systematic study of this most important subject.

LEGAL POINTS IN SASKATCHEWAN.

839. It is not intended in this article to give any comprehensive and detailed statement of the laws at present in force in Saskatchewan relating to the different forms of securities, but we hope that the few suggestions that we have to offer may be of some value.

REGISTERING LIENS.

840. The practices followed by the different companies are not uniform as to registration of liens and other securities. In many cases liens are registered from the home office and not by the yard managers or travelling collectors. This being true, the collector should, on going over the accounts, especially those created subsequent to the 15th day of February, 1914, immediately transmit to the home office proper data to enable the home office to register liens covering the unsecured accounts. In order to enable the home office to do this the collector should furnish them with a statement of the account fully itemized, a correct description of the property upon which it is intended to register the lien, a statement based upon the best information obtainable as to the condition of the title to the land and encumbrances against it and also a statement showing the kind of building, whether dwelling house, barn or otherwise.

841. If the property intended to be charged by the lien is town property it may be assumed that the chief value of the security lies in the improvements or buildings, and in such case an insurance policy should be obtained. If the debtor already has the property insured, his policy should be obtained and a loss-payable clause affixed, making the loss payable to the Company as its interest may appear, and the policy transmitted to the home office of the company for safekeeping. It often happens that the policy already has been hypothecated with the first mortgage if there is one, and perhaps the property is insured for its full insurable value. In such case a second charge on the insurance moneys may be obtained if the agent of the insurance company could be prevailed upon to attach to the policy a second clause making the same payable to the company as its interest may appear. The mortgagee will, of course, have the first right but the Company would then be second.

REGISTER LIENS EARLY.

842. We cannot be too emphatic in urging the early registration of liens. While you are no longer required to file a lien within thirty days, at the same time it may mean that other encumbrances intervene and the security is thus impaired.

CONTRACTORS.

843. See Alberta Article.

HOMESTEAD.

844. The word "homestead" means the place where the debtor resides, whether it be the 160 acres upon which he filed under the Dominion Lands Act and upon which he now resides, or if it be a house and lot in town, so long as he resides thereon.

REAL ESTATE MORTGAGES.

845. With regard to Real Estate mortgages—if you are taking a first mortgage be sure to get the duplicate certificate of title or be assured that it is in the Land Titles Office. See that the mortgagor's name is filled in in the mortgage in the same manner as it appears upon the title. If the land is a homestead, it must be signed by the wife. The wife must also be examined separate and apart from her husband as to the fact that she is relinquishing her rights in the homestead voluntarily. This examination must be held before a Judge of the District Court, Local Registrar of the Supreme Court, Registrar of Land Titles Office or deputy registrars or before a Justice of the Peace, who must certify that the wife has been so examined and voluntarily relinquishes. Forms for this purpose should be annexed to the mortgages. If the land is not a homestead the wife need not join, but an affidavit of the husband must be made showing that the land is not a homestead.

846. Real Estate mortgages are most generally prepared by the home office, but before they can be prepared, full information must be sent to the home office; proper description of the debtor's land; his wife's name, that is, her given name; information as to whether or not the land is a homestead; improvements on the land and its value.

847. Attention is also called to the fact that by the statute passed in 1915 any Real Estate mortgage or any other instrument affecting land by way of charge (this would include a Caveat note) given to secure the payment of the purchase price of any chattel or chattels, such as lumber, and executed before the expiration of six months after the delivery of such lumber, shall be absolutely null and void. The act also prohibits the registration of any Caveat on such a document. In view of this Act it would seem that at the time of the sale of the goods you must depend on your Mechanics' Lien security. If for any reason that should fail you and the account is unpaid after six months you are at liberty, if possible, to obtain a Real Estate mortgage or Caveat note.

848. Chattel mortgages have always been regarded as very indifferent security and their value has been further impaired by legislation passed in 1915 enabling the debtor to claim as exempt the property which he has specifically mortgaged. Nevertheless it is sometimes advisable to take Chattel mortgages when you can get no better security. A debtor who has given a Chattel mortgage often feels when the time arrives that he must prefer one of his creditors to another, that it is best to pay the creditor to whom he has given the security or the creditor who has pressed him the hardest. It is not necessary that the wife join in the execution of a Chattel mortgage.

Follow the directions on the forms as to completing the affidavits specifically. Always use the full given names. Do not abbreviate by the use of initials. This applies to all legal documents.

849. It is frequently desirable to take security on town lots upon which the debtor only holds a contract with the railway company or townsite company. He cannot give you a registrable mortgage on the property because he is not the title holder but is willing to give you an assignment of his agreement with the railway company or townsite company. The collector should be provided with proper forms for this purpose. The railway companies and townsite companies generally have a standard form of assignment which they will approve. See that the assignment is executed according to the printed instructions on the same. Be sure that you obtain the purchaser's copy of the contract with the assignment, because the railway company or townsite company will not approve the assignment unless the purchaser's copy of the contract is submitted to them together with the assignment. The costs in connection with preparing an assignment from the railway company on such a contract will probably amount to \$15.00, or more, if there are complications, such as executions or Mechanics' Liens, already against the property, because the railway company or townsite company will not approve the assignment if there are Mechanics' Liens against the property, or if there are executions against the party intending to assign. This can sometimes be gotten over by giving the railway company a bond to indemnify them against these executions or Mechanics' Liens.

850. If an assignment of this kind is taken as security its legal effect is a mortgage. It may be taken, however, as absolute payment of an account. The advantage of this lies in the fact that it does away with the necessity of any proceeding in the nature of a foreclosure, thus reducing expenses. It is desirable that this be done where the debtor has no other resources out of which he can pay, because a foreclosure would only result in your getting the property and by taking an assignment of the property and cancelling the debt you will accomplish that result without expense. In such cases proper entries should be made in the books of the company, showing that the account is paid and a receipt delivered to the debtor, because if the account is continued on the books after that transaction or the relation of debtor and creditor otherwise recognized, that would be strong evidence that the transaction was not intended as an absolute transfer but as a mortgage.

ASSIGNMENT WITH CONTINUED POSSESSION.

851. See Alberta Article.

WITH REGARD TO SUITS.

852. Before suit is commenced, it is necessary that the solicitor be advised of certain details. An itemized statement of the account should be furnished, or the original note if the suit is upon the note. The full name of the debtor, his post-office address, description of his land and if the debtor holds land under agreement of sale, full particulars to be furnished. If there are any special circumstances in connection with the origin of the debt, those circumstances should be fully stated.

853. See also Alberta Article.

WHEN SUIT IS NECESSARY.

854. It is strongly advisable that the judgment be obtained with the least possible delay. If your debtor has not proved up and you conclude that suit is necessary, it is highly important that the judgment be entered and executions lodged in the proper Land Titles Office before the proof is completed or at least before the patent issues, in order that the execution may be paid out of the proceeds of the loan.

GARNISHEE PROCEEDINGS.

855. See Alberta Article.

856. “ “ “

APPLICATION OF PAYMENTS.

857. If your debtor has several accounts at the yard and makes a partial payment, he, in the first instance, has the right to say upon what that payment shall be applied, but in nine cases out of ten he doesn't make any such direction. You then have the right to apply it on whatever debt you see fit. Your obvious course is to apply the payment on the account which is the least secured. If the account is a single one as shown by the ledger, amounting say to \$500.00 and \$250.00 worth of the material was lienable, and a lien registered and a payment of \$250.00 is made, we suggest one of two courses, whichever may seem the most feasible for book-keeping purposes. First, rule off the account and re-open two new accounts, placing the secured item in one account and the unsecured item in another account, and giving him a receipt for the item shown as unsecured. This will show a clear application of the payment. Second, if the first course is found to be impracticable for reasons of accounting, give a receipt specifying just what items are covered by the payment, always retaining copy of the receipt.

LEGAL POINTS IN ALBERTA.

858. You should be equipped with a supply of all the forms for security commonly in use, namely, Mechanics' Lien forms, Real Estate Mortgage forms, Chattel Mortgage forms, Caveats, Assignment of Agreement forms, brains and initiative. It would also be advisable to have on hand a supply of "Order on Loan" forms in case the debtor maintains, upon being interviewed, that he expects to pay out of a loan which he is negotiating, in which event an order on the Loan Company, in the event of your having no lien upon the property, would no doubt be useful. It would also be advisable to have on hand a supply of "Bill of Sale" forms in case it may be desirable to take in settlement of an account a Bill of Sale covering a movable building, cut or threshed grain, or live stock, in the event of same being given in settlement of the debt, and not by way of security. In the latter event a Chattel Mortgage is the proper security to take. No security can be taken on a growing crop unless for moneys advanced for the purchase of seed grain.

COLLECT UNSECURED ACCOUNTS FIRST.

859. In going over a list of accounts it may be found that many are unsecured in any manner. The first step

is to get the money on these accounts, but in cases where this cannot be done the next best thing is to obtain proper security. If the account is an open one, that is, not closed by note, back interest should be added, and a note taken whether security is obtained or not. Remember that a note is an absolute acknowledgment of the debt. Furthermore, you are assured of interest. A note is of special value if the account has run for several years, or has become almost outlawed, since it is revived by the taking of a note and gives the account a new lease of life for six years, and any payments made on the note periodically will keep it alive since the usual six years allowed under the Statute of Limitations would start from the date of the last payment made, whether on interest or principal or both.

REGISTERING LIENS.

860. It is absolutely necessary, in order to maintain a valid lien in this province, to file such lien within thirty-five days after the last date of delivery, bearing in mind that it is advisable not to allow more than thirty-five (or better still) thirty-four days, to lapse between deliveries of material. It would be safer to file as many liens as are necessary, consistent with the circumstances, unless it can be proven that notwithstanding, lapse of time between deliveries, all material was delivered on the same job or contract.

861. The lien will remain alive and effective without the necessity of taking any proceedings whatsoever, as long as the usual time allowed in the case of an ordinary debt, namely, six years, but action should be taken or judgment obtained thereunder before the expiration of such period in order to revive same and keep the claim from becoming outlawed. The only exception to the rule relative to there being no necessity for taking further action under the lien, is in the event of the owner, or other person having an interest in the lands charged, notifying the lien holder in writing through the Land Titles Office to establish his lien, in which event a lien holder must comply with the requirements of the said notice and take such proceedings as are provided by the Act within thirty days after receiving such notice. If the lien is valid, however, you may have no fear of receiving any notice, and it will, no doubt, remain a charge on the title until actually released by you. Liens in this province are held as payable or chargeable against the lands affected, on a pro rata basis, the first lien filed not necessarily having any priority over subsequent liens.

LIENS ON TOWN PROPERTY.

862. If the property intended to be charged by the lien is town property it may be assumed that the chief value of the security lies in the improvements or buildings, and in such case an insurance policy should be obtained. If the debtor already has the property insured, his policy should be obtained and a loss-payable clause affixed, making the loss payable to the Company as its interest may appear, and the policy transmitted to the home office of the company for safekeeping. It often happens that the policy already has been hypothecated with the first mortgage if there is one, and perhaps the property is insured for its full insurable value. In such case a second charge on the insurance moneys may be obtained if the agent of the insurance company could be prevailed upon to attach to the policy a second clause making the

same payable to the company as its interest may appear. The mortgagee will, of course, have the first right, but the Company would then be second.

REGISTER LIENS EARLY.

863. We cannot be too emphatic in urging the early registration of liens. On general principles it is advisable to file liens promptly, although in this province, however, your lien rights do not really expire until the expiration of thirty-five days, and your position would not be impaired since you would rank on a pro rata basis with other lien holders (except lien claims for six week's wages, which have preference) as long as you have complied with the Act in other respects, even although the property was encumbered prior to your actually having filed the lien, so long as the encumbrance was not registered prior to the time you started to deliver the material.

CONTRACTORS.

864. In dealing with contractors, see that written notice is given to the owners immediately. Don't wait until all the deliveries are made and complications have arisen. It is advisable just before, or at least immediately upon starting delivery to send your notice by registered mail and afterwards at least every week or ten days as the work progresses, each notice giving the amount actually due at the time such notice is mailed, and upon final completion of delivery send a final notice giving the exact amount due at the time of sending such final notice. Remember that an owner, or the party who has let the contract and is responsible to the contractor, is not obliged in this province to retain any moneys in his hands for your benefit until he receives these notices. While he may usually retain moneys to cover approximate amounts due to material men, he is not legally bound to do so until he receives your notice. Also, remember that the owner is not liable to the contractor for more than the contract price, and if the contractor has previously drawn money in advance, or indiscriminately, or should he go behind on his contract, while the owner, on receiving notice from the lien holders, may hold back the balance due the contractor, such balance may not necessarily be sufficient to pay off the material man in full. Consequently, it behooves the material man to beware of unscrupulous contractors, since he will be obliged to look to the contractor for any balance unpaid or not available out of the contract price, because the owner cannot be held liable for more than the amount he agreed to pay the contractor for work and materials, even although such work and material exceeds the contract price.

CAVEATS.

865. In the province of Alberta while Caveat Notes may be taken for moral effect, it is seldom that a Caveat is filed thereunder, since, under the Land Titles Act, a Caveat filed under such circumstances is not enforceable. Caveats are more generally used and filed under and by virtue of an agreement of sale which has been assigned by a debtor to the creditor, or under and by virtue of an execution obtained by the creditor, and which execution would not affect the lands of the debtor in which he might have an equity under an agreement of sale unless the Caveat were filed against such particular lands under

and by virtue of such execution. Caveats may, also, be filed under and by virtue of a Mortgage or Transfer taken in the nature of security where the circumstances are such that the filing of the documents themselves would prejudice the interests of the party to whom the security was given, or for instance, where certificate of title was being held by a Bank, or other credit or for safe keeping or as security, or is not available.

REAL ESTATE MORTGAGES. DUPLICATE OF TITLE.

866. When taking a Real Estate Mortgage as security and same is a first mortgage, also obtain the duplicate certificate of title, or be sure that it is in the "Land Titles Office" so that the mortgage can be registered.

867. If you take a second mortgage it can, of course, be registered, since the Certificate of Title would already be on file with the first mortgage.

EXECUTION BY WIFE.

868. Also note particularly as to all Real Estate Mortgages, in fact any document of security affecting lands and given by a debtor as security, that it is now necessary, in view of the "Dower Act" of 1917 to have same executed by the wife of the debtor and her acknowledgment taken before a Commissioner or Notary Public.

WIDOWERS AND UNMARRIED MEN.

869. Should the debtor be unmarried, there is a special form of affidavit to be made to the effect that the debtor has no wife.

GET NOTE WITH SECURITY.

870. A very important point to watch when taking security, more especially when taking a Real Estate Mortgage, is that you should also insist upon receiving a promissory note, or a renewal note, concurrent with the mortgage or other security. You simply take the mortgage as collateral security, and you should place yourself in the position of being able to enter action on the note at any time when necessary and realizing in any other manner, in case you do not deem it advisable to rely on the security; in fact, under the "Land Titles Act" it is now necessary, when taking proceedings under a Real Estate Mortgage alone, to exhaust all efforts of realizing your claim thereunder by costly foreclosure proceedings, before you can obtain judgment against the Mortgagor.

JUDGMENT ON PROMISSORY NOTE.

871. It is just possible that if the Mortgagor carried the matter far enough, he might succeed in defeating your efforts to obtain judgment before foreclosure of the mortgage, but it is unlikely this plan would be generally adopted and in many cases, at least, you could avail yourself of the opportunity afforded you, by obtaining a judgment forthwith, as the holder of a promissory note.

CHATTEL MORTGAGES.

872. Chattel Mortgages have been considered somewhat indifferent security unless the chattels mortgaged are worth considerably more than the amount of your claim, nevertheless, it is considered good security in this province, and can be realized on under seizure by a Sheriff

whether they are the only chattels possessed by the debtor or not. Care should be taken not only as to getting the full name of a debtor instead of merely the initials, but, also, as to giving the exact location of the chattels, and a proper description of same, such as age, color, weight, marks or brands, and from whom the chattels were purchased. In the event of there being no brands do not fail to give all marks, such as white forehead, white front or hind leg, etc., or any other distinguishing marks, or even scars. This is important in order that the correct animal mortgaged can be identified at any time seizure is necessary. Chattel Mortgages can be taken on grain, cut or threshed, or other personal property of a tangible nature. Same should be taken in duplicate and both copies promptly registered or forwarded to home office, as the case may be.

ASSIGNMENT OF CONTRACT.

873. Should an assignment of a contract be taken as security for a debt, its legal effect is a mortgage, but it may be taken as absolute payment of the debt with a view to closing out the obligation and dispensing with the necessity of proceedings being taken under a lien or other security. Care should be taken to see that the assignment is properly drawn and accepted by the registered owner of the property. Be sure to secure the debtor's contract which he holds as purchaser, in order that the same may be delivered up to the registered owner upon the assignment being submitted to him with a view to obtaining title to the property in your favor.

ASSIGNMENT WITH CONTINUED POSSESSION.

874. See Saskatchewan Article.

WITH REGARD TO SUITS.

875. See Saskatchewan Article.

876. See Saskatchewan Article.

WHEN SUIT IS NECESSARY.

877. See Saskatchewan Article.

GARNISHEE PROCEEDINGS.

878. It is sometimes necessary to institute garnishee proceedings on the spot without the loss of time which would be incurred by correspondence with the home office. In telephoning the home office for instructions be prepared to give all particulars which would be necessary in the case of an ordinary suit as above set forth. Be also prepared to advise the home office as to the particulars of the debt which is owing to the defendant and which it is proposed to attach by the garnishee proceedings. It is safe to say that four out of five garnishee proceedings prove abortive. This does not prove that they were all ill-advised because many proceedings are started and must be started with a strong suspicion, if not a knowledge, that they cannot succeed if contested, but which often result in bringing the money. The moneys payable under an insurance policy to a debtor cannot be garnisheed until after an adjustment has been made. After an adjustment has been made garnishee proceedings can be instituted effectually, hence it is advisable if possible to keep in touch with the insurance

company and ascertain whether an adjustment has been made and if not, when it will be made, so that your garnishee summons may be served immediately after the adjustment is made. It is sometimes better to make the attempt before the adjustment and follow it up with another after the adjustment.

879. Grain is sometimes delivered to an elevator for sale at the terminals. Frequently attempts are made to garnishee the elevator company after the grain has been delivered, but before the grain has been sold at the terminal elevators. In this case garnishee proceedings must fail, because no debt is owing by the elevator company to the debtor until the elevator company has sold the grain. They then owe him the proceeds, not before.

APPLICATION OF PAYMENTS.

880. See Saskatchewan Article.

ALBERTA MECHANICS' LIEN ACT LIKELY TO BE CHANGED IN 1919.

LEGAL POINTS IN MANITOBA.

ACCOUNTS.

881. These should be kept with care and where possible receipts taken for the delivery of all materials. When accounts are closed notes should be taken to cover the same as this effectually disposes of any question as to the amount of the account and the right to charge interest, there being considerable doubt as to whether interest can be charged on open accounts notwithstanding the fact that the bill heads may be rendered stating that interest will be charged.

MECHANICS' LIENS.

882. The right of a Mechanics' Lien arises wherever material is furnished for anything in the nature of a building, sidewalk, roadway or such other construction as may be attached to the land.

883. The right to a lien arises as soon as any material is furnished, and you do not have to wait until you have furnished all the material before registering your lien.

884. Where possible a contract should be made for furnishing of the material in your particular line for the whole contract in question.

885. Where more than one building is being constructed for separate owners the amount of material going to the property of each owner should be kept track of separately, even though it is for the one contractor.

886. In Manitoba the lien should be registered in the "Land Titles Office" for the district, in which the land on which the material is supplied is located, but in no event should this be later than 30 days after furnishing of the last material as such failure is fatal.

887. Printed forms of lien may be obtained and only a substantial compliance in form is required.

888. In Manitoba, to support the lien an action must be commenced within 90 days after the last material is supplied.

889. This action must be commenced and a certificate that the same is standing against the land in question should be issued from the County Court Office of the division in which the land is located.

890. These three last points are essential and must be strictly complied with, for that reason we would advise that wherever at all possible a lawyer should be employed for the purpose of commencing the action.

891. No lien exists for an amount less than \$20. The adoption of filing a lien is the safest method of securing your account where the matter is one of building.

892. The amount recoverable is very often increased by giving notice to the owner for whom the contractor is working that you are not being paid, if such condition exists, as in the event of his paying to the contractor the proceeds of contract price without notice, his liability is limited to only 20% of the contract price, whereas, if he has notice his liability is only limited by the amount still unpaid at the time the notice is given.

893. One Mechanics' Lien holder may rely upon an action commenced by some other Mechanics' Lien holder, within 90 days of the furnishing of the last material by the first holder.

894. This, however, is not in our opinion safe, as in the event of the action relied upon being a failure the other liens would fail with it.

895. In the event of giving a waiver of lien this should be made to be merely a postponement and not a complete release.

896. In large contracts we would advise having the contractor insure in his own name making the loss payable to the person or firm supplying the material, and having mortgage clause attached.

SUIT.

897. Claims for over \$500.00 may be sued in the Court of King's Bench. Lawyers should be employed in every such case, as the proceedings are subject to many restricting rules. The action is commenced by a statement of claim. The defendant has 16 days from date of service within which to defend.

898. If debtor absconds from the province with the object of avoiding service, and defeating his creditors, writ of attachment attaching such goods as he may have left may be issued.

899. If there are debts due to the debtor, or he has money in the bank, same may be garnisheed: these are the only remedies before the expiration of 16 days.

900. In the event of defence being entered, action goes to trial in the usual way. If no defence is entered, judgment is obtained 16 days after service, and a Certificate of Judgment may be immediately issued, and registered in the Land Titles Office for the district in which the debtor owns land, which at once binds his land. This requires to be renewed every two years.

901. An execution can issue immediately to the sheriff in the district in which the action is brought. This process is the one under which judgment may be realized on the debtor's goods.

902. The debtor may also now be called before an officer of the court and examined as a judgment debtor, and if it appears that he is able to pay, an order may be obtained for the payment of the total amount, or pay-

ment periodically on account. In default of compliance with such an order, the debtor is liable to imprisonment.

903. Claims of \$500.00 and under, may be sued in the County Court; all that is required is particulars of the claim.

904. The action must be brought where the debtor lives if he is in the province, or where the goods are bought and delivered, provided they are in the one place. The defendant has 10 days within which to enter a defence.

905. The same right of attachment and garnishee, exists in the County Court as in the King's Bench. If defence is entered the trial will come on at the next sitting of the County Court in that district.

906. If no defence is entered, judgment by default may be taken at the expiration of ten days from service, and Certificate of Judgment may be immediately issued as in the King's Bench, with like effect. Execution, however, cannot be issued until 6 days after judgment, unless on order from the Judge on special grounds, to be shown.

907. A debtor may be summoned before a Judge at any sitting of the County Court for examination as a judgment debtor, similar in effect to the practice in the King's Bench, and in the event of non-compliance with any order made, may be imprisoned.

908. As to realizing on execution there are certain exemptions, the principal of which are as follows:

Household furniture to the value of \$500, clothing and fuel for six months; food for 11 months in the possession of the debtor; 3 horses, mules or oxen, 6 cows, 10 sheep, 10 pigs, 50 fowls and food for same for 11 months; agricultural implements or tools to the extent of \$500 and the land on which the Debtor resides. In the event of farm land to the extent of 160 acres, and in the event of other property to the extent of \$1,500.

These exemptions as to land, however, do not affect your right under Mechanics' Lien.

SMALL DEBT COURT.

909. While a Statute in Manitoba now provides for a Small Debt Court and some have been established they do not appear, as yet, to have become general throughout the country districts, and therefore procedure is usually taken through the County Court unless in outlying districts.

910. In our opinion in respect of small debts under \$100, where the debtor apparently has no assets, it is better not to take any legal proceedings, but to write letters and interview the debtor, putting the matter up to him either as a bluff or to shame him into paying, appealing to his sense of honesty and so bothering him that he will eventually pay, rather than to spend money on legal proceedings.

MEMORANDUM

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